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Housing Finance and Municipal Advisory Program for Poland

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Prepared for:

United States Agency for International Development

Contract No. EUR-0034-C-00-4029-00, RFS-11

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SEMINAR ON CITY REVITALIZATION
SEMINAR CONCLUSIONS

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July 1-2, 1996

SEMINAR ON CITY REVITALIZATION: REPORT AND CONCLUSIONS

Lublin, July 1-2, 1996

EXECUTIVE SUMMARY

The Seminar on City Revitalization was held in Lublin, July 1-2, 1996, sponsored by the Gmina Housing Partnership and the City of Lublin, financed by USAID and organized by the Gmina Housing Partnership and the Cracow Real Estate Institute. Approximately one hundred persons participated in the seminar representing central and local governments, development professions, technical assistance providers, local press and television.

The deterioration of center city districts is a growing problem in approximately 800 or one third of all Polish cities. The physical decline in these districts hinders economic development and creates the danger of social segregation and the resulting problems of poverty and crime. Quite often these districts have national historic and cultural significance. One of the conclusions of the seminar was the identification of the complexities of urban revitalization, requiring a comprehensive approach to address social, economic, cultural, and historic needs.

The national problem of urban building deterioration increases as one looks beyond center city districts. Data from the Institute of Housing Management indicates that approximately 820 thousand flats should be demolished and 570 thousand flats require renovation within the next five years to prevent further demolitions. These 1390 thousand flats in buildings awaiting demolition or rehabilitation are the subject of the proposed act for the revitalization and modernization of urban buildings.

The seminar provided an opportunity for municipal representatives to exchange experience in rehabilitation of municipal stock and revitalization strategies. The limits and barriers to revitalization activities frequently stem from limited financial resources, requiring state assistance to create financial and fiscal mechanisms to support rehabilitation, revitalization and historic conservation.

Presentations of foreign (French, English, German and American) experience and examples of urban revitalization provided a basis of comparison and models of good practice. Similar principles guiding the revitalization systems in each of these countries should be considered in the development of Poland's rehabilitation programs:

- financing projects from many sources;

- methods of encouraging financial participation of local residents and investors in the revitalization;
- adoption of long-term strategies to guide revitalization activities with a flexible approach to individual tasks;
- a complex approach to revitalization, involving social, architectural, and economic interventions.

The role of non-governmental organizations was highlighted in all foreign revitalization practices. TBSs have the potential to serve this function in Poland, but preferential credits from the National Housing Fund must be made available for rehabilitation. Housing associations are also important partners in any revitalization strategy and financing mechanisms should be developed to provide for rehabilitation of these mixed ownership buildings and other forms of public/private partnerships for rehabilitation.

The discussion of the proposed Act on the renovation and modernization of urbanized areas supported the necessity to modify the bill significantly in the following areas:

- The obligatory “renovation association”, the implementation of which was deemed too complex, should be replaced by an organization external to the municipality which will serve to coordinate the interests of the municipality and private investors involved in a project. The organization’s objective will be to provide technical expertise in the planning and implementation of the revitalization strategy, to ensure good co-operation among partners in the process of revitalization and to co-ordinate their activities.
- Mechanisms of rehabilitation funding should be diverse, including both grants and preferential loans, to address varied ownership and development situations. Fiscal mechanisms which will create financial incentives for investors participating in the revitalization process were recommended. The current tax system gives small tax benefits for rehabilitation compared to those for new construction. The Lublin seminar showed the necessity to develop financial scenarios suitable for private investors, the most important of which are private landlords, homeowners, tenants and investors.
- The act should be simplified, and refrain from specifying details of the implementation of renovation projects which is the role of the municipality.

As the close of seminar the Ministry of Physical Planning and Construction requested the organizers to facilitate a few working meetings amongst local and central

government representatives to incorporate local government suggestions into the proposed Act.

SEMINAR ON CITY REVITALIZATION: REPORT AND CONCLUSIONS

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Welcome, Introduction and Presentation of the Seminar Goals

Vice President Krzysztof Stefaniuk welcomed the guests and thanked the organizers for selecting Lublin to host the seminar on urban revitalization. Rebecca Black, representative from the United States Agency for International Development described USAID's program to support local governments and expressed her appreciation of the governments' efforts to address the critical issue of urban revitalization.

Ewa Kipta, Coordinator of Lublin's Local Initiatives Program, presented the program and goals of the seminar:

1. To highlight the proposed legislation and to provide a forum for discussion on the legislative program.
2. To facilitate an exchange amongst local governments on revitalization needs and programmatic solutions, highlighting community participation.
3. To present examples of "best practice" from selected countries which address targeted problems or models, particularly those relevant to the proposed legislation.
4. To provide a forum for discussion and suggest recommendations for national and local programmatic interventions.

To facilitate discussion, the chairman proposed the following definitions of terms:

- rehabilitation - bringing a building to the state it was in at the beginning of its use;
- modernization - the same as above, but involving functional and technological upgrading;
- restoration - bringing a historical building to its best state during its history according to requirements set by the conservator and its contemporary function;
- revitalization - a comprehensive action encompassing all the above mentioned activities, performed on a large urban area and linked to the attempt to revive the economy and promote balanced social development. Usually there is a wide diversity of activities and entities involved.

Presentation of the Proposed Act for the Revitalization and Modernization of Urban Buildings

Mr. Janusz Źyżka of MOSEC stressed the significance of local government involvement in revitalization of urban buildings, a task assigned them by the act. He explained that the draft law draws on solutions and mechanisms tested in some Western European countries during the 1970's and 1980's.

According to Mr. Źyżka, the deterioration of center city districts and their old housing stock is a growing problem in approximately 800 Polish cities. Almost half of the cities' housing stock has suffered from deferred maintenance and rehabilitation for the past 40 years.

Data from the Institute of Housing Management indicates that approximately 820 thousand flats should be demolished and 570 thousand flats, urgently require renovation within the next five years. These 1390 thousand flats in buildings awaiting demolition or rehabilitation are the subject of the proposed act for the revitalization and modernization of urban buildings. Buildings located in rural areas also require urgent modernization, but as they are mostly privately owned single family houses, they require different treatment.

Further, repairs and rehabilitation necessary to reduce energy consumption is required in 45% of the housing stock in Poland, approximately 3 million flats. Most of this stock was constructed post war using energy inefficient prefabricated technologies.

The bill on renovation and modernization of urban buildings provides for:

- implementation of renovation and modernization projects in urban districts primarily through so called “programmed operations”, conducted by gminas;

- development of a program and coordination of the renovation operations by professionals by order of the gmina (institution of a gmina representative for renovations);
- creation of a program of close public consultation, which would take into account interests and expectations of property owners and tenants to elicit their support for such programs;
- establishment of a National Renovation Fund which would provide funds for renovation projects and thus stimulate their development.

Mr. Źyżka said he would not discuss individual provisions of the bill as he assumed they were known to the participants. However, he deemed it necessary to point to some of the unresolved or controversial issues, namely:

- Should the law be of more universal nature, e.g. should it support both programmed operations organized by gminas as well as individual renovation projects conducted by property owners?;
- What should be the sources of financing of the National Renovation Fund , if to assume that the law will only favor programmed operations? (in such circumstances, obligatory contributions paid by property owners to the National Renovation Fund would lack logical justification);
- What legal guarantees, if any, should be given to programmed operations in the bill, if it was impossible to endow them with the “public goals” status, as it has been done in Western European countries? In justified cases, such a status would allow application of expropriation regulations to carry out a project.
- Can an obligatory formula of the “renovation association” under the proposed bill, as the form of direct democracy and an entity responsible for the implementation of the adopted program, be effective in carrying out the program of complex renovations of “ blocks” and districts in cities?.

The speaker confirmed that the provisions of Article 3 reading that “tasks defined in the bill are regarded as gmina’s own responsibilities” was a mistake, which MOSEC was aware of and that this provision would be adequately corrected to reflect the shared obligation of the state.

Response from Local Governments:

Mr Krzysztof Stefaniuk, Deputy President of Lublin, drew attention to the considerable difference between the declared intentions and legal content of the bill. The second speaker Mr Piotr Mync, the Deputy President of Szczecin, highlighted positive aspects of the bill. The bill links the financial participation of municipalities to the financial contribution of the central budget on an equal basis which is an

important advance toward enabling municipalities to implement state policy in the area of renovation and modernization.

According to Mr. Krzysztof Skalski, the “soft approach”, presented by the MOSEC representative, does not coincide with the contents of the bill. In fact the bill does not contain scenarios for soft renovation, but rather a scenario which would block renovation, specifically Chapter 4 devoted to implementation procedures, the obligatory formation of a “renovation association” for the entire area covered by a programmed operation. Renovation associations are to be formed by all owners of properties in the targeted areas. The number of votes each would receive would be proportionate to their capital participation in the renovation. The decision of the majority would be binding for the remaining owners. This scenario was deemed “unrealistic” by the speaker. Recommendations drafted by the Union of Polish Metropolises and the Association of Polish Cities propose another concept of operation implementation, an organization which would serve as a coordinator and technical advisor for the project, referred to as an “operator” which is more feasible.

Greater co-operation amongst the MOSEC, Ministry of Finance and Ministry of Justice was suggested to allow for broader input into developing the potential financial and legal mechanisms required by the revitalization process. Currently the Act proposes a choice of two financing mechanisms supported by public funds: interest rate subsidies on loans granted from public funds or direct grants. Practice and experience in Western Europe, suggests these mechanisms should be linked and tax credits included as well. Thought should be given to the role of the National Housing Fund in revitalization policy. First, however, an executive regulation should be developed to allow for use of NHF funds for individual rehabilitation projects.

Revitalization in Municipal Housing Policy Attempts to Broaden the Scope of Rehabilitation and Modernization

Ms. Katarzyna Stachowiak of the Renovation Group, City of Szczecin presented Szczecin’s four pronged rehabilitation strategy, one of the most advanced in the country. The strategy includes programs and projects of 100% public sector investment, 100% private sector investment, mixed publicly and privately financed projects, and projects co-financed by residents and the municipality. At present the city concentrates its rehabilitation efforts on buildings in the city center. However, projects in other neighborhoods can be financed from the city budget, but as a specially submitted item.

Szczecin’s “Program of Small Improvements” in which the city provides partial financing to small projects implemented by residents to improve the quality of their municipally owned housing unit, has been in operation for two years, financing improvements. The municipality approaches a selected housing association to

purchase the building at a low price under the condition that the association rehabilitate the building. Szczecin also organized tenders for the purchase of property with rehabilitation requirements.

Mr Kazimierz Jurek, manager of Buildings and Units Department, City of Krakow and Mr. Trafas, manager of the Team for Kazimierz District, presented the rehabilitation experience of the City of Cracow. Enormous preparatory work was conducted for two districts with assistance from the European community only to have minimum results in construction and rehabilitation projects due to a lack of efficient financial and organizational tools for project implementation.

Mr Kazimierz Trafas presented the operating plan for Kazimierz, the historic Jewish district, prepared as a part of the ECOS Program in which Edinburgh, Berlin and Cracow participated as partner cities. The only practical result was the co-financing of a local district office by the municipality and the Prince of Wales Foundation. The office deals with social activities for district inhabitants, gathers information on buildings, their legal status and registers investment proposals.

Mr Kazimierz Jurek stated that the opening of the Lublin conference is the fifth anniversary of the commencement of the first pilot operation in the strategic area of Jurydyka Lubicz, close to the railway station. This project was prepared under the auspices of the European Council, French government, CDC (Deposit and Consignment Bank) in Paris and a French operator having experience in revitalization of historic districts. It was suspended and French partners withdrew (temporarily) from the co-operation due to the lack of civil law procedures regulating the co-operation among program partners and the lack of financing from the Polish Ministry of Construction (in 1994). Subsidies from the central budget could leverage funds from other sources, including private investors.

In Kraków the city improves the standard of suburban housing units through infrastructure investment. For example, the construction of a sewage system and a waste treatment plants are 100% financed by the City. As a significant amount of land is privately owned, it is expected that the renovation act will create incentives for private investment in renovation and will enable revitalization of predominantly privately owned districts.

In Kraków there are 1302 housing associations, 56 of which assumed management of their buildings from the municipality. To assist these mixed ownership buildings to undertake renovation, the City offers one to two year credits financed by the city budget. In it's recent land plan, areas for development were designated strategic areas. The municipal government is now attempting to designate areas in need of revitalization as strategic areas. Mr. Jurek concluded with the observation that foreign assistance Programs concentrate on plans and consultations and there is no assistance to finance projects.

In summary, municipal strategies to conduct or encourage rehabilitation are creative and diversified including: full funding of rehabilitation of municipal property, leasing of municipal buildings in exchange for their rehabilitation, provision of short term credits to housing associations for rehabilitation, partial refunding of costs incurred by tenants to improve their flats, tenders for private financing of rehabilitation and new construction, and complex renovation strategies in targeted areas.

However, current local government activities to create implementation instruments are limited by the lack of financing sources, methods to create financial and fiscal incentives, and methods to co-ordinate varied parties in the rehabilitation or revitalization process. Municipalities await implementation tools which are beyond their power to create.

The Lublin Neighborhood Partnership

The Lublin Neighborhood Partnership Project, presented by Ms. Ewa Kipta, received a “Best Practices Award” from Habitat II, held in Istanbul and is an example of the “soft” approach to revitalization employed in two neighborhood districts, Bronowice and Kościelnik. These two districts are mostly privately-owned, consisting primarily of single-family houses constructed at the beginning of 20th century. Apart from single-family houses there are a few private and municipally owned pre-war rental buildings. The “soft approach” aims at solving conflicts, decreasing the inhabitants’ mistrust of local authorities, and conducting resocialising activities with inhabitants of the district.

The goal of the project was to stimulate local participation in the planning and financing of infrastructure and to encourage building repairs. A team, consisting of representatives of city departments, served advisory and coordinating functions. Key to the success of the program was the organization of a capable interdepartmental operating team. The examples of Bronowice and Kościelnik surprised many seminar participants who expected “ambitious and comprehensive construction programs” to restructure a district. Activities undertaken in Bronowice and Kościelnik were based on building credibility and trust in the operator in spite of the fact that he represents a public authority. This and the non-technocratic approach were methods valued and awarded by Habitat II. The Lublin Neighborhood Partnership demonstrates that revitalization activities can be performed based on volunteerism, negotiations and social acceptance.

The question of one seminar participant, “What have Bronowice inhabitants accepted in the end, if there was no plan for demolition or new construction?” received a meaningful answer: “They accepted themselves at this place.”.

The methods of financing the rehabilitation of rental buildings in the Old Town, a new project, have not as yet been determined. An efficient incentive for this type of activity are income tax deductions. Lublin city authorities propose that income tax deductions be doubled for renovation of buildings constructed before 1939. The rehabilitation of common areas in buildings (stair cases, roofs, cellars and foundation and elevation and yards) should also be deductible from taxable income.

Integrated and Public-Private Approaches to Neighborhood Revitalization

Mona Serageldin presented the following points on current American practice in neighborhood revitalization. The time when urban renewal entailed that entire neighborhoods be razed and rebuilt is now gone. Worldwide, the urban agenda seeks a balance between economic development, environmental quality and social equity. Urban regeneration, neighborhood revitalization and housing rehabilitation operationalize these strategic objectives into action programs at the city and community levels. The goal is to foster new economic opportunity in the distressed neighborhood and enable people to pursue their own self development.

Private enterprise cannot function and private investment cannot flow to dysfunctional locations. Cities have discovered that building up the quality and vitality of all their neighborhoods strengthens their competitive position. Community based development is increasingly based on strategies, that entail:

- Establishing channels for constructive dialogue between municipalities and communities;
- Instituting participatory planning and management processes;
- Building public/private partnerships to valorize assets and access resources.

Revitalization requires economic integration. Linking the areas to be revitalized to locations where productive activities in the strong sectors of the economy are centered allows target neighborhoods to share in the benefits of growth. These links have both physical and institutional dimensions.

Physical Integration Strategies

Revitalization has to address conditions outside as well as within the community. By recreating connections and altering the nature of the edges the public sector can change the image of the community as a place bypassed by development and start to

attract private investment. Funds must be injected strategically to serve as catalyst for revitalization.

Links to activity nodes are the critical lifelines through which desperately needed investment and the ensuing revitalization can gradually penetrate distressed neighborhoods. Municipal authorities can take advantage of their ownership of key assets (land parcels and buildings) to leverage additional investments by the private sector.

- In Boston the removal of an elevated rail line perceived to be a visual and environmental blight had unexpected consequences. It devastated the economic base of the community. The retail and service shops that relied on passenger traffic transferring between rail transit and buses collapsed. Development moved to a parallel corridor following the relocated transit lines. The city and the community are now working together to define a revitalization plan based on investment in new transportation lines and development of new functions.
- In Charleston the city is combining: state investment in a new Aquarium; federal investment in highway construction; local investment in infrastructure to develop the Calhoun Street corridor, that dramatically separates the city's prosperous side from its distressed side. To attract private investment to the less desirable locations the city is building two public facilities (library/city offices) and selling key parcels and properties it owns along the corridor. Blurring the edges will help overcome the feeling of separation between the two sides. Creating a development corridor will allow the impacts of multiple layers of public investment to penetrate to the adjacent communities and attract private investment. These infusions of capital will progressively trickle to the less desirable areas and arrest their deterioration.

Boston's Empowerment Zone (EZ) Strategic plan developed in 1994 focuses on linking businesses and residents in the distressed neighborhoods with the new growth centers where clusters of high tech industries are located. The EZ was carefully delineated to include centers of strengths: the clusters of growth industries that drive the economy, which can help the distressed areas improve their economic conditions. The EZ objectives are economic in nature:

- Increase the number of residents employed in growth industries;
- Increase the number of businesses and enhance their entrepreneurial and managerial skills;
- Build links and partnerships to increase purchasing between local businesses and corporations in the growth corridor;

The public sector, the private sector and the community are all contributing resources to implement this ambitious plan.

Within the communities local authorities, residents and the business sector have to work together in complementary roles coordinating and leveraging their respective inputs. Community based groups, Community Development Corporations, non-profit organizations and civic associations are well equipped to access outside resources and mobilize local energies. Using technical assistance, capacity building, and predevelopment finance, the city of Boston has encouraged CDCs to initiate projects in diverse neighborhoods including very distressed areas. These organizations are stabilizing forces within the community and today drive the revitalization effort.

Managing development during the transition requires pragmatic approaches and flexible policies. Strategies must be adapted to the changing economic environment and institutional framework. Cities that build a strategic planning capacity develop mechanisms for partnerships with the private sector, and institute participatory processes to engage communities in the development process, will be better equipped to meet these challenges and achieve their vision.

The Special Case of Historic Centers

Historic Areas present a difficult challenge. In every country of the world, there is a societal consensus that the built environment in historic districts is a significant cultural legacy that must be preserved. There is however an ongoing debate regarding the nature and extent of the preservation effort.

Most often, the economic base has to rebuilt but the new has to either fit in the old envelope through adaptive reuse or be housed in new infill buildings that are compatible with the distinctive character of the historic setting. To respond to these challenges, it is important to clarify the objectives of the revitalization effort: are the elements to be preserved:

- What are the elements to be preserved?
- Why are they being preserved?
- Who are they being preserved for?

The more difficult the problem to be tackled, the more complex the project packaging and the greater the number of participants. Partnership and participation are as critical to the rehabilitation of historic districts as they are to the revitalization of distressed neighborhoods. The challenges to designers, economists, sociologists and financial analysts is to develop realistic strategies and effective operational mechanisms that can succeed within the constraints imposed by national objectives and guidelines, and locally defined visions and plans.

Discussion

The three objectives posed by Mona Serageldin generated discussion on the frequently gentrifying effects of urban revitalization, its merits and/or necessity or whether cities should strive for neighborhood integration and minimal displacement. According to participants, this issue has historic roots in the process of socio-economic integration conducted after the WWII in Poland which was achieved partly through a special mode of tenant selection. This forced integration convinced portions of society that it is necessary to remove those who “do not know how to use the achievements of culture” from historical districts. This issue was discussed in a variety of contexts during the seminar. There were divergent opinions between those who stressed the necessity of segregating those with problems in areas of lesser living standards and those who believe that through maintaining people where they live and creating conditions for partnership and participation marginal persons may begin to take more control of their lives and become more actively involved in their neighborhood.

The financial argument for displacement and gentrification was raised. Increased rents would prevent the majority of tenants from returning to their flats following renovation. To some seminar participants, subsidizing these persons is not in the public interest. One measure of success of revitalization is the increase in property values. According to some participants, the presence of “an undesirable element” hinders this process. Deputy Mayor Kaminski from Płock described their “resocialising” experience. Persons from “socially dysfunctional” groups were moved to lower standard flats depending on their level of dysfunction. They might be moved to better flats, only if they corrected their behavior. These comments raised considerable discussion.

Ms. Ewa Kipta argued against revitalization as a gentrification process. Negative social phenomena are caused by a small number of residents and often result from their belief that living standards will not improve. The possibilities of using tenants to finance renovation in return for the guarantee of a long-term tenancy and limited increase of rents are underestimated. Instead of political promises to provide flats and group privileges, families should be granted greater independence in satisfying their housing needs. The city should elaborate diversified options for households and provide assistance in organizing investments. Persons with varied income levels living in the same area is natural in cities and prevents the growth of impoverished enclaves. Social transformations observed in Poland do not confirm that areas inhabited by low income people are necessarily crime ridden or socially undesirable areas. Undoubtedly, gradual changes in local society as a result of changes in the quality of the neighborhood and its housing should be taken into consideration. The participation of tenants in renovation is one mechanism for positive “selection” which is directly related to household income and supports local tradition.

British and American experience support this view as there has been significant success not only in the rehabilitation of districts, but also in the social transformation of high crime areas. Active partnerships with local residents facilitate comprehensive neighborhood revitalization. This comprehensive approach requires more interdisciplinary involvement which could be facilitated through cooperation with the Ministries of Labour and Social Affairs. There is a strong correlation between the inhabitants' sense of "being at home" and their readiness to invest and get involved in changing their neighborhood. This is why in the United States the local society is the main subject of the revitalization process and targeted changes include the increase of income, improvement of safety and change of public behavior.

Mr. Janusz Źyka explained that while the act takes into consideration other, non-economic interests of owners and tenants, it must be guided by economic interests due to limited financial resources of the state, municipality and owners.

Ms. Aleksandra WoŹnicka, Manager of Social Issues for the President's Chancellery, pointed out the complex social issues involved in neighborhood revitalization, stressing the need for social education to enhance the participation of citizens in these processes.

Revitalization and Restoration - The Role of Historic Conservators

Presentations by Ms Hanna Landecka and Mr Marek Stasiak, voivodship and city conservators, introduced the role of conservation and historic preservation in revitalization processes. The differences in conditions for conservation activities in a centralized and market economy were identified. The complexity of the situation in which a conservator acts and difficult choices he has to make as a state officer in different economic systems were presented. Historic preservation is not addressed in the Act and it should be the subject of targeted financial support from the state, Ministry of Culture as well as fiscal measures.

Examples of Revitalization Strategies: Foreign Experience

Examples of international experience in urban rehabilitation and revitalization was presented by: Krzysztof Skalski-France, Alistair Blunt-Great Britain, Thomas Knorr-Siedow-Germany, Mona Serageldin-United States.

All participants agreed that a comparative review of international models of revitalization is essential at this present stage of systemic transformations and adjustment to world standards in Poland. It can prevent central and local government from "re-inventing the wheel" to establish market economy tools to support neighborhood revitalization.

During the last thirty years, rehabilitation activities were developed in western European countries as a way to construct new housing stock in city centers and old districts, in areas where it is possible to use developed land, construct additional

storeys on existing buildings or new in-fill buildings. This policy, adopted in Western Europe, decreases the city development costs as it limits costly extensive suburban development. In Western countries, the rehabilitation of older stock constitutes over half of the development activities in the housing sector.

Housing problems in Germany have been solved on the local level with some participation of the federal government. A rule has been adopted that problems should be tackled at a lowest possible level and the government should not interfere in issues that can be dealt with by people themselves. There is no federal law on revitalization because at this level the law as a rule only defines what is forbidden. In France the central budget provides several credit lines supporting the implementation of a housing policy. In Great Britain there is system of grants for which interested municipalities may apply. In the United States, the federal government provides block grants to cities which determine their community development priorities. Some national competitive programs such as the Empowerment Zones exist to promote urban revitalization. Public-private partnerships play an important role in community revitalization .

In Berlin (West Berlin at that time) the revitalization program covered an area inhabited by 20 thousand people and now there are social programs implemented in “new” districts in the eastern part of the city. “De-industrialization” forces people to move from less acceptable parts of the city to other districts. This is one reason why revitalization programs are covering new as well as older districts.

The city authorities are responsible for the co-ordination of this process aimed at the improvement of buildings, land development, revitalization and socio-economic improvement of local communities. The revitalization process is supported by subsidies, because they leverage investments by inhabitants. Projects are financed by:

- the regional(Land) government - 1/3 of resources,
- local government - 1/3 resources and
- private investors - 1/3 of resources.

Programs are developed with consideration of historic and cultural factors, as well as social processes. Broad public participation is facilitated in both the planning and implementation of revitalization programs. A similar situation can be observed in France where there is a procedure for the social revitalization of districts (Development social des quartiers). Social problems are treated as equally important as technical aspects of renovation and modernization and are an integral part of the Program operations procedure (Operation Programme d’Amelioration de l’Habitat OPAH).

An example of this approach in Germany is assistance for unemployed young people to purchase abandoned buildings requiring rehabilitation. During the process young people learn construction trades. There are also other programs which are successful

in Leipzig and Dresden where entire abandoned blocks were occupied by young people who receive subsidies to renovate flats. It should be stressed that in Germany great significance is attached to self-help.

Mr Alistair Blunt presented the operations of City Challenge renovation funds competitively allocated based on selection criteria and assessment of needs and priorities. Municipalities prepare a revitalization project which will be co-financed by inhabitants and the private sector and implemented by the local community. The project documentation describes partners and their share in financing the project, the proportion of 1/3 public (state) funds and 2/3 private funds should be maintained. Each year state subsidies are granted to best projects. The remaining projects can be implemented without state assistance or await the next round of project selection. Later on the subsidy contract is concluded and a part of the subsidy is transferred. The release of remaining tranches depends on the project progress with close monitoring of project results. The local community involvement in the renovation process creates new jobs which is an additional benefit of the process.

The similarity of revitalization systems adopted in various countries is apparent in the following areas:

- financing projects from many sources;
- methods of encouraging financial participation of local residents and investors in the revitalization;
- adoption of long-term strategies to guide revitalization activities with a flexible approach to individual tasks;
- a complex approach to revitalization, involving social, architectural, and economic interventions.

Criteria for Selection of Areas To be Revitalized; Elaboration of Operational Program

Mr Janusz ŹyŹka opened the discussion by explaining the conditions in the act for establishing the revitalization program area and the program's scope of activities. He promoted adoption of a flexible approach in program development. The programmed operation should not be limited to the revitalization of residential buildings but should cover a broader scope of activities such as: development of public areas, commercial units, transportation or environmental protection. Referring to the discussions on social problems, due to the increase in rents allowed by the bill, the return of all tenants to flats previously occupied after the renovation would be unlikely. This

necessitates provision of a certain number of replacement flats, especially in older districts in which substandard flats will be joined to increase standards and provide basic unit amenities. This justifies the requirement proposed in the bill to increase the number of flats and developed area by 20% which should influence the identification of program areas. However, local situations are quite diversified. The author of the bill believes that the total public (state and municipality) financial participation should constitute about 40% of the total revitalization cost.

In Bielsko-Bia^{3a}, a detailed revitalization plan has been developed for the Old Town which will be included in a local plan. A detailed inventory of resources has revealed that the municipality has about 50% of usable floor area reserves out of which a significant part can be used to satisfy housing needs. At present the municipality is looking for investors and determining investment conditions which will be used in future tenders. In this specific case, the fact that all historical buildings are located in one area, influenced the decision to select this area for revitalization. Another significant selection factor is that 70% of the stock is municipally owned which solves the problem of meeting the requirement for 20% additional space.

Szczecin representatives assess that in their city it will be possible to create the additional 20% of the usable floor area through the adaptation of attics and abandoned flats in the area selected for revitalization. However, in more densely populated and constructed blocks it might be necessary to construct additional replacement flats elsewhere and extend the revitalization area to include additional areas which can be used for that purpose. This justifies proposals to treat program borders and the requirements of increase the housing area by 20% in a flexible manner.

The representative of the Association for Economic Development of Municipalities, Mr. Grzegorz Buczek, suggested that the basis for the revitalization program should be a local plan which would establish the borders for the program operation. The study of conditions required by the Law on Land Planning should be the mechanism to identify cultural, social and economic factors essential in selecting areas for rehabilitation. The links between the requirements of the revitalization program and the local land planning processes should be as close as possible.

However, at the stage of the study of conditions in the land planning process, it is not possible to predict the co-operation scenario for various entities in the plan. This is the reason why there is a need to make a clear distinction between the function of a local plan and a revitalization program which is an operational plan. It was stressed that a significant criterion for the selection of revitalization areas is the existence of partnership relations between the municipality and inhabitants. The implementation of the Program depends on this co-operation.

Participants discussed the regulation which allows for forceful measures against owners who refuse to renovate their properties as being a regulation which is never

used except as a pressure tactic on owners. According to the act, the decision to take action against owners can be made by a “renovation community”. Opposition to forceful action was expressed because, in the past, expropriations and other forms of forceful action against property owners in Poland were abused. In the transformation period, such a regulation can be misused which may decrease the credibility of the Act. It was proposed that legal force be replaced by incentive mechanisms for residents to participate in the program in its early stages.

The issue of the type and amount of project documentation to be prepared for review by the municipality (Article 16 of the bill) was raised. The MOSEC representative explained that these requirements were based on Austrian criteria. The elements of the program should not have to be very detailed. The draft for the program should contain elements necessary to set the conditions for a contract to conduct the operation i.e. :

- status of the property;
- concept of intended rehabilitation strategy;
- a feasibility study and business plan.

Methods for the Implementation of the Operational Program

President Mync opened the discussion, presenting the following comments:

- Locating the implementation entity outside the local government allows for more freedom and better co-ordination of activities; but, the credibility of this institution may not be sufficient to owners and tenants who as a rule prefer to deal directly with the municipality.
- The renovation program should be adopted by the City Council according to the bill, but the manager or operator of the program should be nominated by the City Board;
- The percentage of owners who have to vote acceptance of the program seems to be high and unrealistic for the beginning of the program. The proposal to change this percentage to a usable floor area seems to be more realistic, especially as linking the renovation program to a local plan already assumes significant acceptance by interested parties.
- The establishment of the renovation program board, consisting of responsible and representative persons seems to be justified. This board could constitute a forum to solve conflicts and promote partnership relations among associations of tenants and owners, merchants associations, guilds etc.
- Important partners in the implementation of the renovation program include: housing association, banks and social housing associations.

- The division of duties between the program plenipotentiary, City Council and City Board requires more detailed decisions and clarification.
- A dominant role of the program operator will be to advise all parties involved in the program and to seek generally accepted solutions, but not to force specific solutions.

The necessity to model legal procedures on those adopted in countries with greater experience in this area was suggested. For example in France renovation contracts are used. These types of contracts are also being prepared in Cracow. Such contracts contain the synthesized program characteristics, rules for its financing, and commitments of parties. They are signed by representatives of a local government unit, state authorities, renovation funds and banks. It is a basis for concluding other contracts for the implementation of specific renovation activities with interested entities.

In the contract between a municipality and operator the duties and rights of each party should be clearly stated. Activities for the operator consist of: conducting and co-ordinating the project, providing information, looking for investors, training, preparation of designs and preliminary cost estimates, organizing tenders, activities supervision, monitoring ownership changes, organization of unit allocation, remuneration and conditions for payment. The municipality should clarify in the contract the manner of supervising work of the operator and ensuring a public control of the process by the program board. Such a model of activities seems to be more realistic and flexible than the one presented in the proposed act.

German experience indicates the significance of clear principles for operator activities. His rights must be understood by the public and believed to be justified and appropriate to the scope of the project. In Germany, up to the end of 60's, these issues were regulated at the municipal level. At present, some proven solutions have been incorporated into the federal construction law. They cover the general law for owners, tenants and businesses and also protect the interests of the public sector as their funds are involved in the renovation. The increase in property value is transferred to a renewable renovation fund which is used according to the wishes of the municipal authorities.

The American model is more decentralized involving federal and local financing programs most of which are funded by the federal government. Many of these financing programs operate on a competitive basis. „Operators” are usually neighborhood -based local development cooperations.

The need to simplify the act in outlining the requirements of the operator was stressed. The act should contain only the most important elements to guarantee correct processes and clear roles and responsibilities of the operator and other involved

parties. The act should also clearly state that the dominant role in the establishment and use of the renovation fund will be played by the municipality which is consistent with proposals for state decentralization and reform of public administration. An excessive intervention of the act in details of implementation of renovation projects will limit its usefulness, cause excessive formalization and increase costs of program and project startup. Thus, it will result in a failure to implement the declared intentions of the act.

It was concluded that the idea of an obligatory “renovation association” should be abandoned, replaced by a mechanism for the implementation of public goals in special urban zones, termed “zones of harmonized investments” in which expropriation mechanisms could be employed after all other means have been exhausted.

Principles for Financing Renovation and Revitalization

Renovation financing is in a preliminary stage in Poland. The only positive innovation since 1990 is the introduction of a few local programs to support and encourage rehabilitation.

Mr Konrad Banach (PKO BP) presented the possibilities of obtaining bank loans for various types of development projects:

- rental buildings - the lack of any guarantee that loans will be paid makes it impossible in practice to obtain such a loan ;
- single-family houses - banks are willing to provide loans under the condition that the legal status of property has been clarified used as collateral in the form of mortgage;
- in-fill buildings in historical districts - there are loans for these purposes available, the interest rate varies from 21 to 22%.

He also maintained that the proposals to significantly decrease interest rates on loans was not advisable due to inflation. He further opined that housing associations would not receive bank loans without additional guarantees from the municipality. His perception is that housing association are defective legal entities and will have difficulties in obtaining loans for rehabilitation, a position disputed by other participants. Presently there is a whole range of bank loans for new construction and infrastructure development, but few options for rehabilitation projects. He proposed the establishment of companies, in which the city would be a shareholder, whose task would be to renovate historical districts.

A basic practical question whether a subsidy from public funds can be treated by a bank as an equivalent of the capital participation of a private investor and whether a bank can grant a loan to finance the remaining costs related to the rental building renovation could not be answered by bank representatives present. Participants agreed

that is necessary to expand the knowledge and experience of the banking sector in the role of banks in European rehabilitation practices.

Discussions have confirmed the need for two basic complementary tools for financing rehabilitation and modernization: reduction of interest rates of commercial loans granted by local banks and capital grants for specific projects. The loan will be repaid by rents supported (in specific cases) with a housing allowance. In this case a housing allowance may serve to increase the number of rehabilitation projects. (This is only true in the case where the rents are sufficiently high to allow for debt service coverage).

Two other potential sources of funds for renovation in a municipality were identified:

- increase in rents paid by tenants;
- development of an ad valorem tax on property.

Representatives of the Ministry of Finance cited that the presence of an ad valorem property tax could provide another type of incentive through tax relief for private investment in rehabilitation.

Currently, market economy mechanisms encourage investors to participate in the renovation of the Cracow's Old Town. However, it is necessary to use area revitalization strategies which apply to entire areas and not only to individual historical buildings because quite often it is the building surroundings that determines its value. There was a proposal to introduce a strong motivational system to stimulate the purchase and renovation of historical buildings in revitalization areas. Such an incentive could be a tax deduction based on the cost of purchase or renovation of a historic building.

Conclusions drawn from the discussion on financing rehabilitation and revitalization are as follows:

- Both preferential loans and grant subsidies should play an important role in financing renovation. State assistance should finance the reduction in interest rates and grants.
- It is necessary to provide collateral for renovation loans.
- Investors need assistance in project preparation: financial, legal, and technical.

- Establishing a municipal renovation fund is difficult for legal reasons due to limitations of types of economic activities municipalities are allowed to conduct.
- Tax deductions for rehabilitation should be increased and broadened.
- Incentives and support for historic preservation and conservation should be created.

The Role of Housing Associations, TBS's and the Municipality in Revitalization

During the discussion, cities shared their revitalization strategies and the role of the municipality.

Sopot is a town which is almost entirely under the conservator's protection and lacks land for new development. The City adopted a strategy of "internal development" consisting of the improvement of existing buildings. 700 out of 2400 residential buildings are housing associations which, after clear rules for partnership had been introduced, became very good partners for revitalization tasks. A contract between the city and a bank is being prepared to provide housing association access to loans for renovation. Guarantees will be provided by the city.

The document on the city development strategy, recently adopted by the City Board, was prepared with participation of a group of 85 volunteer inhabitants during a ten session process in which they participated significantly in developing the contents of the plan.

At present the operating plan is being prepared. The preparations were preceded by sociological research. A map showing needs and expectations of various social groups in districts has been elaborated. After materials have been analyzed 5 blocks were selected for a pilot revitalization project. Questionnaires for inhabitants are also being prepared. The Sopot representatives do not think that the act on renovation in its present form will be useful for the city.

Gdańsk does not have any renovation programs prepared. The activities of the city in this area concentrate on supplementing the infrastructure in urbanized areas. Like in Sopot there will be a possibility to obtain low-interest loans for rehabilitation.

In Pruszków a plan to revitalize a part of the city center has been drafted. Due to minimum interest of inhabitants in co-operating with the city it will be necessary to concentrate on promotion of the revitalization program to gain a public support.

Dzierżoniów makes use of advisors to launch a pilot renovation program. First a housing strategy, which highlighted the renovation of the historic city center with

new construction on undeveloped areas, was approved by the city. The poor condition of the area deterred investor interest so the municipality started to improve public areas. The local government sold flats in the city center at low prices counting on investment by the new owners. Unfortunately rehabilitation was conducted only in commercial units. According to Mr Alistair Blunt, the lack of public consultation on these actions was one cause of the mediocre results of the rehabilitation strategy.

The significance of economic development in the revitalization process was stressed by Ms Katarzyna Stachowiak-Bongwa. In Szczecin two entrepreneurship incubators were organized. They are located in a vacant warehouse and tram garage and offer new entrepreneurs large space at low prices, legal assistance, secretaries, copying, fax services etc. So far 150 companies have benefited from this assistance, giving the city the benefit of permanent co-operation with them and new jobs created.

Mr Tadeusz Sobieszek presented a Lublin example where the willingness of the city to cooperate with residents as partners through the Program of Local Initiatives resulted in an unanticipated level of social involvement. This is proven by the experience of proposing a renovation program in the Old Town which during 10 months of its existence managed to gain inhabitants' acceptance.

It was suggested to organize a regular forum for the exchange of experience amongst cities and foreign representatives as the problems discussed were similar to those arising in various countries. These similarities include:

- relationship between the rehabilitation strategy for the entire area and the renovation of individual buildings and flats;
- methods of providing households guarantees of long-term tenancy which facilitates their co-operation in the rehabilitation process;
- introduction of private and public partnerships as a means to achieve quick results in the revitalization process.

Conclusions on the suggested activities for local governments to advance the potential for revitalization strategies are as follows:

1. Local governments should lobby to:

- create a stable system for construction financing which provides for modernization of the existing stock as well as new construction.
- pressure the National Housing Fund/MOSEC to produce a decree to allow for use of funds for rehabilitation loans. This would create opportunities for TBSs to become involved in rehabilitation.

- to increase tax deductions for rehabilitation of flats and buildings with greater deductions for buildings constructed before 1939.

2. There should be attempts to entice tenants of rental flats to participate in the improvement of overall building quality, providing them guarantees of long-term tenancy. This is necessary due to the fact that financial resources of cities and owners are not sufficient. Housing associations are important partners in this effort.
3. There is a need to regularly exchange experience among cities.

Summary of Work Group Comments on Legislative Problems and the Opinion of the Union of Polish Metropolises and the Association of Polish Cities

The major issue of contention is the requirement for “obligatory renovation associations”. The argument for the renovation association, according to Mr. Janusz Źyżka, is the necessity to create a tool which would commit members of the community to undertake renovation activities decided by the renovation association. This would be a means to replace expropriation mechanisms which were removed from the bill in its current version due to the protests of the Ministry of Justice.

Mr. Stefaniuk posited that the renovation association in its proposed form is ineffective. Krzysztof Skalski expressed his opinion that only negotiations among investors facilitated by the operator and diversified financial incentives could be effective in the long run. To facilitate revitalization, it will be necessary to establish a legal statute and action procedures for special development zones which would allow for expropriation procedures after all possibilities of negotiations have been exhausted. In the areas of a programmed operation these are supposed to be small areas - blocks - in which there may be several owners with a common interest related to one development plan for which it is necessary to implement the program by linking the interests of many private owners to a public interest. This is how for several decades Zones d’Amenagement Concertee in France have operated, as a basic urban tool for the implementation of comprehensive physical planning programs in new urbanized areas and old districts.

Mr Janusz Źyżka said that in this situation he was ready to withdraw the statement on renovation associations in exchange for the statement on expropriation mechanisms in special areas, if expropriation is required by a public interests.

Conclusions of the Lublin seminar

Urban revitalization includes renovation, modernization, historic restoration, economic and social resurgence. Revitalization constitutes an economic, social and cultural challenge, which, if successfully implemented, counteracts economic decline and technical degradation of older districts. Yet, revitalization is a new slogan in

Poland despite interests, expectations, and preparations by local governments. Thus, far the national policies and programs have not supported revitalization sufficiently. National housing policy has emphasized support of new construction, neglecting the existing stock. Although this policy was based on the assumption that, for considerable time, it was financially infeasible to tackle the problem of rehabilitation, all participants agreed that state housing policy which ignores rehabilitation and revitalization needs cannot be successful.

Lessons learned from foreign experience indicate that social support for these goals necessitate public education to prepare residents to play the role of partner in the initiating, planning, and financing of revitalization strategies on a local level. The public should influence the development of local government activities and motivational tools to facilitate the participation of the society in decision-making and financing of revitalization programs.

International experience presented contained the following principles which should be considered in the planning of Poland's rehabilitation programs:

- financing projects from many sources;
- methods of encouraging financial participation of local residents and investors in the revitalization;
- adoption of long-term strategies to guide revitalization activities with a flexible approach to individual tasks;
- a complex approach to revitalization, involving social, cultural architectural, and economic interventions.

It was agreed that the proposed act contains unrealistic implementation scenarios and oversimplifies the financial issues related to financing various implementation options from the central budget. Investment projects can only be implemented, if investors are willing to participate in them. Compulsory co-operation is not the best mechanism to encourage participation.

The legislation should address the following strategic objectives, leaving detailed implementation issues to the municipalities:

- creating financial and fiscal mechanisms comparable to those for new construction to support and serve as incentives for rehabilitation and urban revitalization.
- undertaking activities aimed at developing consistency between Polish and European Union standards, including the establishment of structural elements

of the housing system which were not necessary in the previous economic system, but whose lack will be increasingly evident in the future, particularly:

- creation of a legal framework for companies having mixed (public/private) equity, local government instruments to counteract the land speculation; and harmonized investments zones, such as:
- enabling legislation and regulations for operators and local development corporations.

I. creation of a coherent set of interministerial fiscal and financial instruments to stimulate investments in old districts (co-operation among MOSEC, Ministry of Finance, Ministry of Culture, Labor will be required);

II. linking local activities to a state policy through contracts for the program in which each party would make financial and time commitments for the implementation of specific activities.

All these elements exist in various forms in the European Union countries. In Poland they will have to be established in a form appropriate for the transformation period. One objective is to adjust the principles of city planning and permitting procedures to a market based land management system consistent with European Union standards.

The following factors were identified as essential for successful revitalization processes:

- establishment of the system of programmed operations;
- local housing policy supporting the revitalization processes;
- atmosphere of trust and continuity of activities, an operator who is willing to negotiate and promote partnership;
- voluntary participation in the rehabilitation operation, financial incentives to start rehabilitation activities;
- stable strategy and pragmatic approach in the implementation of individual tasks;
- permanent education of the public in the area of social participation and partnership relations between investors and administration.

The Lublin seminar successfully:

- broadened the knowledge of Polish experts in the field of neighborhood revitalization in conditions of greater local government autonomy and a market economy;
- facilitated formulation of amendments to the proposed act by local governments.

September 6, 1996